

Message Text

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C O N F I D E N T I A L STATE 195943 TOSEC 200125

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EXDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: US STRATEGIC OIL STORAGE

1. FRANK ZARB CALLED A RESTRICTED MEETING TODAY ATTENDED BY STATE, TREASURY, COMMERCE, OMB AND CEA ON HIS EFFORTS TO NEGOTIATE GOVERNMENT-TO-GOVERNMENT DEALS FOR OIL FOR THE US STRATEGIC STORAGE PROGRAM. HE MADE THE FOLLOWING POINTS:

--HE HAS HAD EXPLORATORY TALKS WITH TWO OR THREE COUNTRIES (UNNAMED) WHICH HAD INDICATED INTEREST IN SELLING OIL TO THE US FOR OUR STORAGE NEEDS. (AS FAR AS WE KNOW, HE HAS HAD SERIOUS DISCUSSIONS ONLY WITH IRAN.);

--HIS OBJECTIVE IS TO DETERMINE WHETHER THROUGH SUCH GOVERNMENT DEALS THE US CAN OBTAIN OIL AT A SIGNIFICANT FINANCIAL SAVING;

--ANY SUCH DEAL WOULD REQUIRE PRESIDENTIAL APPROVAL AND PROBABLY NEW CONGRESSIONAL AUTHORIZATION;

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--HE MUST COME TO A DECISION ON WHETHER SUCH DEALS ARE
LIKELY TO BE POSSIBLE BY MID-SEPTEMBER IN ORDER TO STAY
ON SCHEDULE WITH THE CONGRESSIONALLY MANDATED TARGET OF
HAVING 150 MILLION BARRELS IN STORAGE BY 1978;

-- IF WE DETERMINE GOVERNMENT-TO-GOVERNMENT DEALS ARE NOT
POSSIBLE, WHICH HE BELIEVES LIKELY RESULT, HE FAVORS
A SYSTEM OF OPEN COMPETITIVE BIDS.

COMMENT:

AS YOU KNOW, ZARB IS MEETING WITH ANSARY IN LONDON ON
AUGUST 9 FOR FURTHER TALKS. HE DOES NOT APPEAR
OPTIMISTIC THAT AN ACCEPTABLE DEAL CAN BE CONSUMMATED,
BOTH BECAUSE OF PRICE ISSUE AND BECAUSE NEED FOR FULL
DISCLOSURE TO CONGRESS IS LIKELY TO BE UNACCEPTABLE
TO IRANIANS. HABIB

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